

DISCLOSING INFORMATION ON CORPORATE SOCIAL RESPONSIBILITY IN CANARY ISLANDS HOTELS

José Juan Déniz Mayor

María Concepción Verona Martel

José Juan Barrera Rodríguez

Universidad de Las Palmas de Gran Canaria

josejuan.deniz@ulpgc.es, mariaconcepcion.verona@ulpgc.es

According to data from the World Tourism Organization (2016), Spain was the third world tourist destination in 2013 with a total of 60.7 million visitors and the second by volume of tourist income for 62.56 million US dollars. In the national territory, the Canary Islands received 10.6 million visitors, which means that if this region were analyzed as an independent country, it would occupy the 24th position in the world ranking of a total of 141 countries. However, although the Spanish tourist market has experienced a spectacular growth, this would have been due mainly to the political and social instability in many Arab countries of the Mediterranean basin that diverts travelers especially to the Canary Islands, making the archipelago a kind of safe haven asset for tourism (Consejo Económico y Social de Canarias - Economic and Social Council of the Canary Islands, 2013). Tourism is key in both for the State and the Canarian economy. In different areas, the implementation of CSR policies as a differentiating factor against competing alternatives is considered essential (Guerra and Fernández, 2011). Thus, the Government of Spain (Ministerio de Industria, Turismo y Comercio - Ministry of Industry, Tourism and Commerce, 2007) has set itself the goal of making the national tourism sector a leader in competitiveness and sustainability, while providing the greatest social welfare to the population.

Although there has been an increasing degree of development of corporate social responsibility (CSR) policies around the world (Albareda and Balaguer, 2008), this expansion has been seriously hampered by its insufficient and deficient implementation in small and medium-sized enterprises (SME) (Forética, 2011). Bearing in mind that the implementation of CSR policies depends on the sector (Brammer and Millington, 2005; Lee and Park, 2009), the purpose of this paper is to identify the variables that influence the communication of socially responsible performance in the tourism sector. So, the information disclosed to third parties through the corporate internet pages will be taken into account, looking for patterns that allow the establishment of relationships between that

information and certain economic and financial characteristics of the analyzed companies. In this way, it has been possible to verify the communication flow of the company on CSR issues. The reason for using web pages is that they are much more accessible and close to the majority of the public, especially potential customers, than other alternative ways, whose extension could be more restricted.

Within the tourism industry, research has focused on hospitality companies. The importance of this sector in the Canary Islands is revealed by the fact that, according to Exceltur (Alianza para la Excelencia en el Turismo - Alliance for Excellence in Tourism, 2014), it has generated 31.2% of the total GDP in the Canaries and 35.2% of regional employment. This organization points out that these data demonstrate the status of tourism as a major sector in the local economy, a sector with the ability to drag on activity in other productive sectors.

The sample consisted of companies classified as short-stay and tourist accommodation, according to the National Classification of Economic Activities (CNAE-2009), and following a search criterion based on a minimum turnover of more than 2 million euro and more than 10 workers, both referring to 2013. It was observed that of the total of 199 companies analyzed, 160 had a website and of these, only 44 published some type of information what applies socially responsible policies.

The first distinguishing characteristic is that, although the number of companies that disclose CSR information on their web pages is smaller than the others that do not offer any data, the average and median values of the magnitudes considered are higher. It could be deduced the possible existence of a relation between the size of the company and the diffusion of information on this matter, which must be subject of contrast.

Also, it should be noted that the information published is not generally collected in sustainability or CSR reports, but in a scattered and non-standardized way in different sections of the websites of the companies analyzed. The content ranged from environmental policy statements to environmental quality indicators, including the enumeration of awards, or adherence to codes of conduct. A first view of them seems to show that social and environmental information is used essentially to improve the image and not so much to be accountable, given the scarcity of quantitative data provided. An in-depth analysis of the published information is still pending for further study, as well as the identification of explanatory reasons for such low disclosure level. Few on them provide numerical data to compare their results on the subject. Some studies, such as Holcomb et al. (2007), De Grosbois (2012), Larrinaga et al. (2006) or Hsieh (2012), point out the low weight of social and environmental issues in the information disclosed by the hospitality sector, so the obtained result seems consistent.

The variables considered in the study are as follows:

- *Publication of information on CSR.* It is the dependent variable considered in the study. A dichotomous variable that measured the publication or non-publication of CSR practices of the company on its website was selected.
- *Legal form.* It is usual that in studies on CSR the analysis subjects are listed companies. It implies that the legal form is not a relevant factor to consider; however, the companies analyzed in this study may operate such as public limited companies or private limited companies.

- *Age*. According to Cochran and Wood (1984, 55-56), companies that own very old assets tend to be socially and environmentally less sensitive. A possible cause could be found in the high costs associated with the modernization of the facilities in order to meet the standards. It can also happen that managers adopt more inflexible behaviors as the company ages, as it is more costly to promote drastic changes in corporate strategy (Roberts, 1992: 605).
- *Category*. It can be an indicator of quality and therefore of a greater social and environmental commitment. In the case that a company had several hotels the rule to assign the highest category reached by any of them was adopted.
- *Size*. A larger size, greater visibility and social pressure by relevant stakeholders (Patten, 1991; Roberts, 1992: 605; Udayasankar, 2008). So, it is feasible for the company to have more stockholders concerned about CSR practices and a greater use of formal channels to disclose its performance in this field (Cowen, et al., 1987). The following descriptive variables have been used: turnover, total assets, personnel costs and number of employees.
- *Business group*. This variable is connected with the size factor but also with the existence of corporate control instruments. Four measures related to the corporate group variable have been included: membership or not to a group, number of companies that are part of a group, holding or not of subsidiary companies; and number of subsidiaries.
- *Indebtedness*. Financial institutions may perceive companies with a low CSR commitment as more risky, which would require greater guarantees of compliance (Bryce, 1992). The debt ratio and the average cost of debt have been considered as representative variables of indebtedness.
- *Performance*. According to Roberts (1992: 604) stakeholder theory predicts a positive association between measures of economic performance and levels of disclosure of information about CSR. In this paper we have opted for a broad vision of the descriptive measures of the performance: return on assets, pre-tax return on equity, net operating margin and profit margin.

Among the main conclusions, it should be highlighted that the size factor seems to be closely related to the disclosure of CSR information: higher values of the accounting figures considered (total assets and turnover), greater propensity to disclose data on this subject. The same happens with staff costs and the number of workers. A linkage with size can be established if corporate variables such as the type of company (public limited company or private limited company) or the holding of investees are considered. Being part of a group seems to be statistically significant, but not the age of the company.

With regard to the debt ratio, it does not seem to be a distinctive factor, probably because the analyzed sector operates under the same coordinates in this matter. However, the indicators of economic and financial profitability as well as the net operating margin and the profit margin on sales show significant results, thus existing a relationship with the publication of information on CSR.

If probability of disclosing CSR information is considered, the statistically significant variables that would influence the decision are: the legal form (it is more likely to

publish if the business is a public limited company), being a member of a business group (indicative of the possible existence of direct management and control instruments on the company itself needed to safeguard the reputation of the group as a whole), size (measured through labor costs) and the ability to generate returns.

This study has some limitations. The most important one is that the analysis was based in a specific channel of communication such as the internet. It is possible that companies were performing activities related to CSR, but have not used a website, opting for disclose them by other ways, such as reports and printed brochures or press releases, or simply for not reporting. On the other hand, it is possible that the company was launching a CSR program and, at the time of the study, it has no results that could be presented. Finally, it is possible that the reported CSR practices could not related to actual performance in this field: the fact that, for some of the items analyzed, the audit is not legally compulsory and that the authors of the present study have not access to any internal evidence of the companies can affect the reliability and interpretation of the data.